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SUBJECT: MEDIA REACTION: IRAN, EURO, EUROPEAN COMMISSION, UKRAINE,
SRI LANKA, GERMANY-OPEL;BERLIN

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- ¶1. Lead Stories Summary

Print media focused on the Constitutional Court's decision over the level of Hartz IV social security payments. Handelsblatt opened with Opel's restructuring plans and Financial Times Deutschland with EU aid to Greece. Editorials focused on Opel and the Constitutional Court's ruling. ZDF-TV's early evening newscast heute and ARD-TV's early evening newscast Tagesschau also opened with the ruling on re-calculating of Hartz IV social security benefits.

- ¶2. (Iran) Nuclear Program, Protests

Various papers (2/10) carried reports that Iran has begun to further enrich uranium. In a lengthy report under the headline: "One Step Closer to the Nuclear Bomb," Sueddeutsche Zeitung reported that "despite global protests, Iran begins with the enrichment of uranium to 20 percent. According to its own information, Iran has begun to enrich. On the night before, U.S. Defense Secretary Gates and French Foreign Minister Kouchner said that the UN Security Council should now quickly intensify sanctions on Iran. Gates added that this would last weeks, not months. The head of the Russian Security Council, Nicolai Patrushev warned against a rising danger for war and doubted that Iran's nuclear program only served peaceful means. According to a report from the IAEA, Iran wants to use it pilot plant in Natans to enrich the material from 3.5 percent to below 20 percent...."

Handelsblatt (2/10) headlined: "Iran Begins to Produce Higher Enriched Uranium," and wrote: "Despite looming international

sanctions, Iran has, according to its own information, begun to produce higher enriched uranium..... With such an enrichment level, Iran would come a great step closer to the production of weapons-gradable uranium, which requires an enrichment level of 85 percent.

Frankfurter Allgemeine Zeitung (2/10) carried a lengthy report headlined: "Carefully Dosed Escalation," and noted: "The head of Iran's Nuclear Energy Agency said on state TVV Monday night that Iran would stop the new activities in Natans [the enrichment of uranium] if the countries abroad were willing to supply fuel for the Research reactor in Tehran - and this of course on Iranian conditions. But this statement should be enough for China to intensify its obstructionist behavior. Thus far, Beijing was able to hide behind Moscow which has withstood demands for a tougher course towards Iran. But now the Russians are playing their cards close to their chest and are even signaling that they are losing patience with Tehran, too.... Under China's protection, Tehran is now daring a provocation. At issue is the production of nuclear explosives."

In a report under the headline: "Enriched Distrust," Die Welt (2/10) reported that "fears in the West seem to confirm now that Iran does not want to stick to lowly enriched uranium.... A nuclear expert in Iran is speaking of an Iranian provocation of the international community. He said: 'It would even be an excessively dangerous play for Ahmadinejad to plunge the country into a crisis as the consequence of sanctions or even a military strike.' That is why he thinks that this is an Iranian move to bring back the global powers to the negotiating table. But a foreign diplomat warned that "the

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move could also backfire.'"

Frankfurter Rundschau (2/10) reported under the headline: "Iran is Playing a Risky Poker Game" and wrote that "President Ahmadinejad can be certain that each of his moves meets with a great echo in the media. But experts take a sober look at Iran's capabilities. According to the IAEA, Iran has 8,300 centrifuges, half of which do not work. Thus far, Iran has been able to enrich 1,800 kilograms of uranium to 3.5 percent but a nuclear bomb requires an enrichment level of 85 percent. It is Iran's goal to operate 50,000 centrifuges."

In an editorial, Die Welt (2/10) judged under the headline: "A Fist into the Face," that "following the orgy of lies with respect to the stolen elections from June and the appearance of Iran's Foreign Minister Mottaki in Munich at the Security Conference, the things the Iranian foreign minister said are even less credible than before. 3.5 percent or 20 percent enrichment level is not only a question for nuclear physicists, but in the meantime it has become an issue for the world as a whole and for the Middle East in particular. While the UN Security Council meets and discusses tough sanctions on Iran, Ahmadinejad is hitting the world with a fist in the face. If he gets away with it, the NPT will only be a piece of paper, the Middle East the laboratory of the apocalypse, and the global order just an empty word."

Spiegel online (2/10) reported of attacks of Iranians against the Italian embassy in Tehran under the headline: "Iranians Attack Italian Embassy" and reported that about one hundred Iranians attacked the Italian Embassy in Tehran and protested in front of the building. They shouted 'Death to Italy,' and 'Death to Berlusconi,' obviously out of protest against Italy's demands to impose sanctions on Iran in the nuclear conflict with Tehran. Italy's Foreign Minister Frattini is outraged at the events in front of the embassy and called them 'hostile.' Iranian media, however, described the incident as a peaceful demonstration by radical students. Similar events happened in front of the Dutch and French Embassy."

Sueddeutsche (2/10) carried a picture depicting protesters with banners saying: 'European governments - Stop supporting Terrorism' and 'French Government - Terrorism supporter.' The caption reads: "Supporters of the Iranian regime protested in front of the French and Italian embassies in Tehran. The protesters hurled stones at the Italian embassy and the protesters tried to storm the building."

13. (EU) Euro Financial Crisis

All papers (2/10) carried reports on the European response to the fiscal crisis in Greece. Front-page headlines included: "EU work on assistance for Greece" (Frankfurter Allgemeine), "EU wants to help the Greeks" (Sddeutsche), "Greece can hope for assistance by Euro countries" (Die Welt), "Berlin carries Euros to Athens" (FT Deutschland).

FT Deutschland (2/10) opined: "The trigger of the third wave of the crisis was not a bankruptcy of a bank like Lehman Brothers, but the bankruptcy of a country. Greece is an obvious and acute problem, but not the only one. If Greece plunges into chaos, it can be expected that some European banks will follow. A small national bankruptcy would therefore pose a huge threat to the global financial system. When Chancellor Merkel and her colleagues meet tomorrow in Brussels, it will not just be about Greece but also about the future of the European currency union."

Frankfurter Allgemeine (2/10) reported on its front page: "EU Commissioner Almunia fueled speculation that the EU might soon provide financial assistance to Greece. He told the European

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Parliament that member states should promise Greece help if it commits itself to tough expenditure cuts." In a separate report under the headline "Markets celebrate prospect for assistance to Greece," Frankfurter Allgemeine noted that "the hints on assistance to Greece calmed down investors."

Die Welt (2/10) highlighted that "Greece strikes at the root of government expenditures," adding that "a tough program of higher taxes, wage cuts and a hire freeze are supposed to prevent Greece from becoming insolvent.... The country must regain its credibility among financial markets. The mistaken statement of Australia's Reserve Bank, which said that Jean-Claude Trichet had to leave the country early to be able to participate in a crisis meeting of the ECB that deals with the problems of the Euro zone, shows how nervous the financial world is. If the Reserve Bank had not corrected the message soon after, that would have been dramatic news."

Frankfurter Rundschau (2/10) reported that "ECB President Jean-Claude Trichet's sudden change of his travel plans due to the EU special summit on Thursday triggered new speculation over a rescue operation for Greece.... According to EU diplomats, the EU state and government leaders will discuss Greece's crisis on the margins of their meeting. They added that, however, a bailout program belongs to the realm of fantasy."

Business daily Handelsblatt (2/10) highlighted that "the EU wants to help Athens - but only in cutting expenditures. Greece is supposed to cut spending drastically as the tensions in the Euro zone are increasing."

14. (EU) New European Commission

Sdwestrundfunk radio (2/9) opined on the approval of the new EU Commission: "EU Commission President Barroso's policy approach of 'divide and rule' has given him a submissive administrative apparatus with competences that overlap and commissioners that will inevitably fight over their responsibilities.... This is how the new Europe after the Lisbon Treaty presents itself. President Barack Obama has drawn the right conclusions and cancelled his participation in the planned EU-U.S. summit. Washington said that it is not clear who is responsible for what in Europe. However, the majority in Strasbourg did not care about it."

Frankfurter Allgemeine (2/10) editorialized: "Instead of being such a big mouth, the EU Commission would be well-advised to focus on a few major projects, such as overcoming the economic crisis, and proving that European citizens benefit from this institution."

Frankfurter Rundschau (2/10) analyzed: "The EU commission is now

elected and the parliament has clearly attained more power. It must now use this power.... The members of parliament must prove that they cannot just fight for more rights, but are willing to make use of their new opportunities. Only then will the new power balance in Europe contribute to leading the European Union out of its current critical state. Although everybody talked about the commission yesterday, the parliamentarians are important for the new beginning."

15. (Ukraine) Aftermath of Elections

Frankfurter Allgemeine (2/10) editorialized: "Europe has an interest in a democratic, prosperous and western-oriented Ukraine. If Kiev decides to take the post-Soviet path of poverty and authoritative structures, migration, collapsing markets and instability would follow. This danger has been realized a long time ago. Kiev and Brussels have been discussing an association agreement, including a free trade area, which could bring Ukraine as close to Europe as

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Norway and Island. Yanukovich will continue these negotiations. There is still much to do. Yanukovich can get rid of his reputation of being Moscow's man if he solidifies democracy and fights corruption. He would have to renounce detours that contradict the EU's common foreign and security policy. He cannot want a free trade union with Russia and the EU at the same time. He must adjust numerous laws. If this happens Europe must do something in return."

16. (Sri Lanka) Rising Tensions

"Turnabout in Sri Lanka," headlined Sueddeutsche Zeitung (2/10) and judged: "There are no doubts about Mahinda Rajapakse's election victory, even though his challenger does not want to accept the outcome. Nevertheless, the state leader acts with the arrogance of power and has not passed up the opportunity to humiliate Sarath Fonseka, who was defeated in the elections, by arresting him under dubious circumstances. He is thus pushing a worrying development. Those who do not subject to the ruling presidential clan are living dangerously in Sri Lanka. As a matter of fact, Sri Lanka has reason for hope one year after the end of the civil war.... In this situation, the future should lead to an open civil society. But the state leader and his stooges are now choosing the opposite direction."

17. (Germany-U.S.) GM-Opel

Norddeutscher Rundfunk radio of Hamburg (2/10) commented: "There is no guarantee for the success of Opel's current restructuring plan to keep jobs in Germany, but it could be possible that General Motors will soon change its plans again, shifting production to other countries or continuing to cut jobs. According to GM, part of the assistance for Opel should come from the so-called 'Deutschland Fund' for needy companies, which was created to alleviate the impact of the economic and financial crisis. But the problem is that Opel's misery has nothing to do with the financial crisis.... There is no doubt that, after a few cosmetic changes, the LQnder minister presidents will approve [GM's] request; they will always do it by referring to a potential loss of jobs. But this is not reasonable. On the contrary."

National radio station Deutschlandfunk (2/9) commented: "8,300 jobs will be cut in Europe, but in order to achieve this goal, GM demands comprehensive subsidies...but it would be wrong to expect further funds from Detroit. That is why the European government should think twice before distributing further state guarantees because there is a great danger that further tax funds would be pointlessly wasted. It is a fact that General Motors is urgently dependent on efficient and environmentally friendly cars from Europe, especially for the American market. That is why GM must clearly use more funds for the restructuring than it has announced thus far. This is the necessary signal that GM also believes in Opel. But no government and no state parliament should accept GM's position of dumping the risks of the restructuring plan on the European taxpayers and also dictating the rules of the game."

Under the headline: "Parsimonious," Frankfurter Allgemeine (2/10) noted: "With another state loan, Opel boss Nick Reilly wants to finance the restructuring of the company. The Economics Ministry is right to wonder whether General Motors is unable to finance the restructuring on its own. It is right that GM and indirectly Opel receive a lot of funds from Washington but the result was that the U.S. state has become the majority owner and has the right to receive future dividends. However, the German taxpayer has a few plants and property as security. There are no guarantees for the preservation of jobs. Apart from this fact, it would not be useful to offer loans because other competitors such as Volkswagen must

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deal with the overproduction of cars on their own."

According to Sueddeutsche Zeitung (2/10), it would be a "bad deal" to accept GM's restructuring plan. "There are good reasons not to accept his offer," the daily argued, and added: "First, GM said that the overall costs of the restructuring plan would be 3.3 billion euros, but only 600 million are paid by GM itself. For a company that was bailed out last year with 50 billion dollars and that is today boasting that it would be able to repay the money soon, this is too little. GM should at least pay half the restructuring cost for Opel. Second, the Americans hope to get funds from the 'Deutschland Fund' which was set up to help companies which are in trouble because of the financial crisis. But is this the case with Opel? An exception for Opel would be a precedent with unforeseeable consequences. Third: GM wants to invest 11 billion euros in Europe. But what GM does not say is that, if business is bad and if GM does not make a profit, then there will be no 11 billion euros. If that is the case, the billions which the taxpayers are supposed to pay would be in vain."

MURPHY